



DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO **AQOG**

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**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION
OFFICES**

**SUBJECT: DCMC Memorandum No. 97-028 Management Councils And Performance Results
(INFORMATION)**

This is an INFORMATION memorandum. The purpose of this memorandum is to provide insight into the use of Management Councils to promote performance improvement for customers. Target audience: All DCMC employees.

Since the "advent" of quality management, we have recognized that any significant and lasting performance improvement is the result of cooperative effort -- on every level from the individual to the largest organization, public or private. We are starting to reap the benefits of such cooperation between parties that have traditionally been separated by apparently conflicting interests and artificial boundaries. The forum for this evolution of cooperative effort is the Management Council.

Seemingly intractable issues can be very effectively addressed in a group whose membership is voluntary, composed of all the stakeholders, that embraces an informal approach, and whose "charter" is only confined by the interests of its members. These critical attributes of Management Councils are the foundation of their effectiveness and the secret to their ability to easily address ever broader issues of mutual interest to their membership. Mutual interests can and undoubtedly should include performance results expected by stakeholders.

We have talked about the concept of "control and influence" as it relates to performance improvement and our ability to effect change. What we can control, we do. But the bounds of that control are very limited if we are seeking, as we are, to add value to the acquisition process. The most highly leveraged avenue for our performance improvement is and always will be our ability to "influence" -- to help achieve -- the results that our customers want and expect. Thus, as a Command, we made commitments to Right Item/Time/Price because they represent the primary interests of our customers as well as the focus of every defense contractor -- our partners in every Management Council.

It is only logical that Right Item/Time/Price should be a hot topic at any Management Council meeting where the principals are ourselves, our customers, our partners (DCAA) and contractors who physically provide our customers with the Right Item at the Right Time and Price.



Management Councils are an ideal forum for influencing performance issues important to stakeholder participants. Discussion and agendas can take many forms:

a. Councils can work to setting metrics for and monitoring performance to contractor system results. In effect, this is an application of Right Item/Time/Price to contributing attributes at specific facilities. DCMC Boeing Seattle has been a leader in this area and can provide additional information on their approach. DCMC McDonnell Douglas St. Louis is also pursuing.

b. Councils can work to improving performance of areas not meeting expectations. This is a fertile area for Management Councils at geographic offices. For example, DCMC Atlanta-Greensboro targeted final overhead rates as an area needing focus. As a result of Management Council efforts, cycle time for settlement was reduced from 59 months to 24 months (the goal for all of us). Another example is DCMC San Francisco where a large contract closeout backlog was effectively addressed through cooperation among several Contract Administration Offices on the Government's part and executive involvement from the contractor.

c. Councils can work on process improvements. DCMC San Francisco was also involved helping a contractor initiate a plant-wide scheduling system to help deal with a very large backlog of critically needed items for all three Services.

d. Cost reduction opportunities. The Management Council at DCMC Raytheon was used to communicate the success of the AMRAAM Value Engineering Program to 35 other Program Offices.

e. Reduce engagement. The Management Council at DCMC Phoenix has been proactive in "shepherding" proposals with merit. The Council is currently sponsoring a formal PROCAS group to proof a process for accepting low dollar value material from processes that are low risk. When this process proofing is complete (Aug 97), DCMC Phoenix will have demonstrated its ability to use Certificates of Conformance to accept product from a number of contractor locations (after determining an acceptable risk level), without physically having to have quality assurance specialists travel to the sites to perform acceptance activities.

Management Councils can bring "unique" solutions to the table because their participants can just agree to do the right thing or to compromise where compromise is the best solution.


JILL E. PETTIBONE
Executive Director
Contract Management Policy